Rhode Island response to the additional questions relating to Section 4.19-A of our state plan

July 15, 2005

1. *Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Before TN 03-006 can be approved, the State needs to provide assurances that providers retain 100% of the payments made under all of the methodologies in Attachment 4.19-A. Do providers retain all of the Medicaid payments including the Federal and State share (includes normal per diem, DRG, DSH, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description (of) the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of funds once they are returned to the State (ie, general fund, medical services account, etc.).*

   Providers are not required to return any portion of their Medicaid payments to the State or to any local government entity, or any other intermediary. We are not aware of any instance in which a provider has, in fact, returned any portion of their Medicaid payments to the State or any local government entity, or any other intermediary. Rhode Island does not have a County system of government.

2. *Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in the lowering of the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (per diem, DRG, supplemental, enhanced, other) for Attachment 4.19-A is funded. Please describe whether the state share is from appropriations for the legislature, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPE's), provider taxes, or any other mechanism used by the state to provide state share. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the state share is being provided through the use of local funds using IGTs or CPE's, please describe how the state verifies that the expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51 (b).*

   The State share of each type of Medicaid payment under Attachment 4.19A is funded by appropriations from the state legislature (Rhode Island General Assembly). The Rhode Island General Assembly appropriates funds for the state match from the total of all unrestricted General Fund balances/General Revenues received by the state from numerous sources, including general revenues from three broad-based and uniform health care related provider

taxes (on hospital services, nursing facility services, and intermediate care facilities services) which fully comply with federal law and regulations relating to permissible health care related taxes. These permissible provider taxes are assessed and collected by the Rhode Island Department of Administration, Division of Taxation, and are deposited as unrestricted General Revenues into the General Fund. Rhode Island does not utilize separate trust funds or other restricted receipt/purpose funds with respect to health care related provider taxes, and therefore the provider taxes are not dedicated to or for a particular purpose. These provider taxes are reported by the state on the HCFA-64 reports.

Rhode Island does not have a County system of government. Rhode Island does not utilize intergovernmental transfers (IGT's), certified public expenditures (CPE's), or any other mechanism to provide the state share for payments under Attachment 4.19.

SFY 2005 projected expenditures:

	State	Total
Inpatient Services	**$61,072,844**	**$137,372,000**
Outpatient services	**$17,613,370**	**$ 39,618,000**
DSH	**$49,585,755**	**$111,128,989**

SFY 2006 projected expenditures:

	State	Total
Inpatient Services	**$66,164,280**	**$146,000,000**
Outpatient services	**$19,210,753**	**$ 42,391,000**
DSH	**$51,209,279**	**$112,424,323**

3. *Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Please provide the total amount for each type of supplemental or enhanced payment made to each provider type in Attachment 4.19-A.*

   No supplemental or enhanced payments are made to any providers.

4. *Please provide a detailed description of the methodology used by the state to estimate the upper payment limit for each class of providers (State owned or operated, non-state government owned or operated, and privately owned or operated).*

   The Rhode Island Medical Assistance calculation of the Medicare Upper Payment Limit is based on the comparison of the Medicare cost to charge ratio to the hospital's Medicaid charges. There are two classes of hospitals in Rhode Island: community, non-profit hospitals and one State hospital, operated and managed by the Department of Mental Health, Retardation and Hospitals. There are no privately owned or operated, or local government facilities in Rhode Island.

The methodology compares the most recent audited Medicare cost reports (base year) with the most recent Medicaid audited payments (base year) for all facilities. The Medicare principles are applied to each hospital's Medicare cost to charge ratio then to the hospital's Medicaid charges. As the base year may be different for Medicare data and Medicaid data because of the timing differences in the availability of audited data, the appropriate TEFRA trend factor is applied to this result to determine the final Medicare payment compared to the Medicaid payment. This methodology is applied to each class of hospitals independently and in the aggregate, for both inpatient and outpatient services. The result of this analysis is that the Medicaid payments are substantially less than the Medicare payments for each class and in the aggregate. This analysis also provides the comparison of Inpatient and Outpatient combined or separated; in either case, RI Medical Assistance payments do not exceed the Medicare UPL.

5. *Does any public provider receive payments under any methodology in Attachment 4.19-A that in the aggregate (normal per diem, DRG, DSH, supplemental, enhanced, and other) exceed the reasonable costs of providing services? If payments exceed the costs of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?*

   Rhode Island has only one public provider, a State hospital known as the Eleanor Slater Hospital (ESH), operated and managed by the Department of Mental Health, Retardation and Hospitals (MHRH). Payments to this public provider have been based on costs that are certified to the Department of Human Services by MHRH; the certified costs are audited by the Auditor General for the State of Rhode as part of the single state audit process. Payments to this public provider have not exceeded the costs of services, and no recoupment has been necessary or required.

   The aggregate payments to ESH, as a state operated public provider, do not exceed the reasonable costs of providing services.